

REEVES MEMORIAL MEDICAL CENTER

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2014, 2013, AND 2012

Reeves Memorial Medical Center  
Financial Statements  
and  
Independent Auditors' Report  
Years Ended December 31, 2014, 2013, and 2012

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Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis

This section of the Hospital Service District's (the "District") annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2014. Please read it in conjunction with the financial statements in this report.

### Financial Highlights

- The District's total assets decreased in 2014 by \$159,022, increased in 2013 by \$579,907 compared to an increase of \$770,764 in fiscal year 2012. The majority of the decrease is due to Accounts Receivable decreasing by \$100,000 in FY 2014. No new debt was incurred in 2014; however, subsequent events occurred with the signing of a construction contract (\$699,000) and a lease purchase agreement (\$250,000) in 2015. In FY 2013 the District increased the limited use assets by borrowing \$2,000,000 through two bond issuances, R-1 and R-2. The R-2 bond of \$450,000 was used to pay off the 2002 USDA bond balance. The R-1 bond of \$1,550,000 will be used to renovate portions of the hospital. A portion of the increases in operating revenues are due to grants received to provide care for indigent/low income patients and changes in the charge master. Gross Accounts Receivable decreased by \$272,165 and \$236,240 in FY 2014 and 2013, respectively, due to better collection using an outside billing company who replaced lost staff in the business office. Fiscal year 2012 net Accounts Receivable balance increased by \$609,753 primarily due to loss of business office personnel and nonpayment of Bayou Health claims until after year end.
- A small gain in operating income of \$9,439 occurred in FY 2014 due to increases in charges on the charge master. A loss in operating income of \$1,151,372 occurred in FY 2013 due primarily to a decrease in net patient revenue of \$422,196 and a decrease in grant income of \$1,233,203 from 2012 grants of \$1,669,086 to \$435,883. In FY 2012, the \$849,188 operating income was due to receipt of grant money for meeting meaningful use standards and to use in providing healthcare to indigent and/or low income patients. Net operating revenue increased by \$1,221,955 in 2014 compared to prior year decrease of \$1,637,298 in FY 2013. Inpatient volume increased in FY 2014. Operating expenses continued an upward trend by increasing \$61,144, \$363,262, and \$269,824 in 2014, 2013 and 2012, respectively.
- The District received revenues for UPL (now FMP) of \$817,267 (\$405,000 accrued) and \$415,000 for fiscal years 2014 and 2013, respectively. The 2012 payment of \$986,000 was a "backfill" from the prior year. This income is dependent on how the State of Louisiana and the federal government's regulations change. Additional monies were paid as grant income to be used for providing healthcare to indigent and/or low income patients.
- The District received property tax revenues of approximately \$252,779, \$274,517, \$255,190, and \$259,509, for fiscal years 2014, 2013, 2012, and 2011, respectively. The 5.34 mills ad valorem tax expired in fiscal year 2011 and was renewed for 2012 through 2021. The 5.11 mills was renewed in March 2015 for another 10 years.
- An increase in construction in progress and the purchase of new computer system were the reasons for the increase in capital assets in FY 2014. Fiscal year 2012 capital assets increased approximately \$316,000 due to a new conference building, completion of renovations to the rural health clinic and needed equipment purchases.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Required Financial Statements**

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past three years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the Hospital Service District**

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Hospital Service District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Net Position**

A summary of the District's Statements of Net Position are presented in Table 1 below:

**TABLE 1**  
**Condensed Statements of Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total current assets	\$ 2,273,748	\$ 2,256,758	\$ 3,141,920	\$ 2,809,791
Capital assets - net	2,037,956	1,429,190	1,347,808	1,227,548
Other assets	<u>1,312,294</u>	<u>2,097,072</u>	<u>713,385</u>	<u>395,010</u>
 Total assets	 \$ <u>5,623,998</u>	 \$ <u>5,783,020</u>	 \$ <u>5,203,113</u>	 \$ <u>4,432,349</u>
 Current liabilities	 \$ 753,347	 \$ 785,718	 \$ 591,140	 \$ 755,989
Long-term liabilities	1,819,937	1,921,089	475,475	468,946
Invested in capital assets, net of related debt	953,983	953,981	878,865	735,881
Restricted: Bond reserve fund	910,809	1,560,412	50,442	45,060
Unrestricted	<u>1,185,922</u>	<u>561,820</u>	<u>3,207,191</u>	<u>2,426,473</u>
 Total liabilities and net position	 \$ <u>5,623,998</u>	 \$ <u>5,783,020</u>	 \$ <u>5,203,113</u>	 \$ <u>4,432,349</u>

As can be seen in Table 1 total assets decreased by \$159,022, increased by \$579,907 and \$770,764, in fiscal years 2014, 2013, and 2012, respectively. The 2013 increase was due to borrowing bonds and placing them in limited use assets consisting of bond construction checking account of \$1,467,340 and paying agent account of \$60,072, restricted to construction project with equipment and fixtures/furniture for the project and paying principal and interest. Net capital assets increased by \$120,260 in 2012, decreased in 2011 by \$120,358. A decrease in Accounts Receivable in fiscal year 2014 of \$103,918 was the primary reason total assets decreased.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Summary of Changes in Net Position**

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2014, 2013, 2012, and 2011.

**TABLE 2**  
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Net patient service revenue	\$ 5,772,445	\$ 4,955,559	\$ 5,377,755	\$ 5,367,561
Property tax revenue	252,779	274,517	255,190	259,509
Other revenue	<u>932,866</u>	<u>506,059</u>	<u>1,740,488</u>	<u>1,070,405</u>
Total revenues	<u>6,958,090</u>	<u>5,736,135</u>	<u>7,373,433</u>	<u>6,697,475</u>
Expenses:				
Salaries and benefits	3,403,227	3,353,605	3,216,200	3,010,744
Medical supplies and drugs	358,364	334,158	356,892	331,326
Professional fees	1,313,424	1,261,476	1,274,152	1,162,079
Other expenses	<u>1,873,636</u>	<u>1,938,268</u>	<u>1,677,001</u>	<u>1,750,273</u>
Total expenses	<u>6,948,651</u>	<u>6,887,507</u>	<u>6,524,245</u>	<u>6,254,422</u>
Operating income (loss)	9,439	(1,151,372)	849,188	443,053
Nonoperating revenues (expenses)				
Interest income	10,937	21,272	24,304	19,741
Interest expense	(58,539)	(29,093)	(22,759)	(22,658)
Gain (loss) on disposal of asset	<u>(2,325)</u>	<u>-0-</u>	<u>-0-</u>	<u>(240)</u>
Nonoperating income (loss), net	(49,927)	(7,821)	1,545	(3,157)
Changes in net position before capital grants	(40,488)	(1,159,193)	850,733	439,896
Capital grants	<u>20,240</u>	<u>68,873</u>	<u>65,567</u>	<u>58,973</u>
Changes in net position before other comprehensive income	(20,248)	(1,090,320)	916,300	498,869
Other comprehensive income				
Change in unrealized gain (loss) on securities	<u>(5,251)</u>	<u>30,035</u>	<u>12,784</u>	<u>22,941</u>
Changes in net position	\$ <u>(25,499)</u>	\$ <u>(1,060,285)</u>	\$ <u>929,084</u>	\$ <u>521,810</u>

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

## Sources of Revenue

### Operating Revenue

During fiscal year 2014, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the District's facilities. On December 30, 2005, the District changed its status for Medicare reimbursement purposes from a prospectively paid (PPS) hospital to a cost based reimbursement or critical access hospital. This change resulted in more reimbursement from Medicare. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes grant revenue received for meeting meaningful use standards and to provide healthcare to indigent and/or low income patients. If the District continues to meet the criteria, grant money may be available for a short period of time. Other revenue also contains cafeteria sales, HPSA incentive income, and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years:

**TABLE 3**  
**Payor Mix by Percentage**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	50%	44%	50%	49%
Medicaid	18%	13%	20%	22%
Commercial and other third-party payors	22%	31%	22%	20%
Other	<u>10%</u>	<u>12%</u>	<u>8%</u>	<u>9%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

### Non-operating Income

The District holds investments in its Statements of Net Position that are invested primarily in Certificates of Deposit. Total investments were \$399,671, \$534,846, \$654,811, and \$342,027, for 2014, 2013, 2012, and 2011, respectively. Certificates of deposits were used for operation in FY 2013 in the amount of \$150,000. Capital grant income for fiscal years 2014, 2013, 2012, and 2011 was \$20,240, \$68,873, \$65,567, and \$58,973, respectively.

### Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2014, 2013, 2012, and 2011:

In FY 2014 and 2013 increases of acute and swing patient days of 314 and 68 occurred in contrast to declines of 194 and 266 in 2012 and 2011, respectively. The District increased patient charges for room and board and ancillaries in FY 2014 and room and board in FY 2013.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Operating and Financial Performance (Continued)**

As a critical access hospital the average length of stay is required to be 3.96 days or less. The Acute days average length of stay was 3.98 for all patients and 12.05 for all swing bed in fiscal year 2014. For 2013, the average length of stay increased to 4.39 but this includes Swing bed days. The District had a downward trend in average length of stay for acute days in 2012 at 3.27 compared to 3.45 in 2011.

Net patient service revenue saw an increase of \$816,886 in fiscal year 2014 due to increases in volume and in the charge master. A decrease of \$422,196 in net patient service revenue occurred in fiscal year 2013. In part due to increases in allowances for bad debt and administrative and other adjustment and in part due to \$160,000 less emergency room revenue. In fiscal year 2012, net patient revenue did not vary much from fiscal year 2011. It increased only \$10,194.

The gross accounts receivable balance decreased by \$272,165 and \$236,240 in fiscal years 2014 and 2013, respectively. Outsourcing the billing and collections due to loss of personnel last year and Bayou Health plans paying correctly both contributed to the decrease. The District's gross accounts receivable increased by \$842,728 in 2012 compared to a small increase of \$14,167 in 2011. Loss of business office personnel and changes in Medicaid plans with the new Bayou Health plans not being paid timely were primary causes of the large increase in 2012. The poor economic climate has contributed to difficulty in collecting monies owed to the District. The District is utilizing a collection agency to increase the collection percentage. The District continues to exert every effort to assist patients in finding funding sources for health care.

Salaries & benefits grew slightly in FY 2014 by \$49,622 compared to an increase in 2013 of \$137,405 and \$205,456 in 2012. The District has to compete with other area hospitals for personnel.

Medical professional fees increased by \$51,948 in FY 2014 compared to the slight decrease of \$12,676 in 2013. Medical professional fees also trended higher in 2012 by growing \$112,073 compared to the previous year's decrease of \$126,308 in 2011. More was paid for consultants and outsourcing the billing of claims due to an inability to attract personnel. The 2011 decrease was partially due to new contracts with various physicians for ER coverage and a change in the way rural health clinic visits are paid. In FY 2014 RHC visits were down to 8,066 from 2013 visits of 9,284 compared to increases in 2012 to 9,477 through the use of a nurse practitioner. In 2011 visits declined by 2,622 to 8,400.

In FY 2014 Provision for Bad Debts decreased by \$102,709. There was a slight increase of \$58,879 in Provision for Bad Debts in fiscal year 2013. In 2012 an increase in Provision for Bad Debts of \$100,575 reversed a decline of \$224,537 to \$663,720 in 2011. Lack of personnel and changes in personnel contributed to this increase.

In FY 2014 there was a decline in Other Expenses of \$64,632. Other expenses, including insurance and depreciation, increased by 16% in 2013 compared to a 2012 decrease of 4% and a 2011 increase of 13%. A portion of this increase is due to GASB 65 becoming effective for FY 2013. All bond issue costs in the current year of \$82,177 were required to be expensed instead of amortized due to this change in accounting principle.



Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Capital Assets**

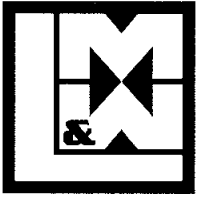
During fiscal year 2014, a new computer system for meaningful use (EHR) and other equipment in capital assets was approximately \$295,000. Construction in Progress consisted of the computer project and construction projects. All are included in Table 4 below.

**TABLE 4**  
**Capital Assets**

	December 31, <u>2014</u>	December 31, <u>2013</u>	December 31, <u>2012</u>	December 31, <u>2011</u>
Land	\$ 30,614	\$ 30,614	\$ 30,614	\$ 30,614
Land improvements	32,060	32,060	32,060	32,060
Leasehold improvements	17,083	8,060	8,060	8,060
Buildings	1,544,882	1,565,044	1,542,673	1,321,290
Fixed equipment	387,034	420,289	271,289	271,289
Major moveable equipment	2,568,328	2,429,880	2,324,965	2,203,104
Transportation equipment	58,201	58,201	45,205	45,205
Minor equipment	300	1,477	1,477	1,477
Construction in progress	<u>531,445</u>	<u>266</u>	<u>260</u>	<u>26,933</u>
 Total	 5,169,947	 4,545,891	 4,256,603	 3,940,032
Accumulated depreciation	<u>3,131,991</u>	<u>3,116,701</u>	<u>2,908,795</u>	<u>2,712,484</u>
 Net capital assets	 \$ <u>2,037,956</u>	 \$ <u>1,429,190</u>	 \$ <u>1,347,808</u>	 \$ <u>1,227,548</u>

**Contacting the Hospital Service District's Financial Manager**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital Service District's finances and to demonstrate the accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.



## **LESTER, MILLER & WELLS**

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### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Bernice, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, which comprise the statements of net position, as of and for the years ended December 31, 2014, 2013, and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Reeves Memorial Medical Center as of December 31, 2014, 2013, and 2012, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "vii" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Reeves Memorial Medical Center's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally



Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
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accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Leita, Mello & Wells*

Certified Public Accountants  
Alexandria, Louisiana

June 19, 2015



Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Net Position  
December 31,

ASSETS	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets:			
Cash and cash equivalents (Notes 2 & 3)	\$ 439,799	\$ 326,752	\$ 994,920
Accounts receivable, net (Note 4)	740,052	843,970	1,133,826
Estimated third-party payor settlements	110,195	163,514	369,727
Other receivables	713,303	644,857	352,275
Inventory	176,178	181,837	181,780
Prepaid expenses	<u>94,221</u>	<u>95,828</u>	<u>109,392</u>
Total current assets	<u>2,273,748</u>	<u>2,256,758</u>	<u>3,141,920</u>
Assets limited as to use (Note 6)	910,809	1,560,412	50,442
Capital assets (Note 5)	2,037,956	1,429,190	1,347,808
Investments (Note 3)	399,671	534,846	654,811
Other assets (Note 7)	<u>1,814</u>	<u>1,814</u>	<u>8,132</u>
Total assets	\$ <u>5,623,998</u>	\$ <u>5,783,020</u>	\$ <u>5,203,113</u>
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 265,322	\$ 204,422	\$ 269,224
Accrued expenses and withholdings payable (Note 9)	214,755	311,639	286,398
Estimated third-party payor settlements	174,048	170,312	-0-
Current portion of long-term debt (Note 8)	<u>99,222</u>	<u>99,345</u>	<u>35,518</u>
Total current liabilities	<u>753,347</u>	<u>785,718</u>	<u>591,140</u>
Long-term debt (Note 8)	<u>1,819,937</u>	<u>1,921,089</u>	<u>475,475</u>
Total liabilities	<u>2,573,284</u>	<u>2,706,807</u>	<u>1,066,615</u>
Net position:			
Invested in capital assets, net of related debt	953,983	953,981	878,865
Restricted: Bond reserve fund	910,809	1,560,412	50,442
Unrestricted	<u>1,185,922</u>	<u>561,820</u>	<u>3,207,191</u>
Total net position	<u>3,050,714</u>	<u>3,076,213</u>	<u>4,136,498</u>
Total liabilities and net position	\$ <u>5,623,998</u>	\$ <u>5,783,020</u>	\$ <u>5,203,113</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:			
Net patient service revenue (Note 12)	\$ 5,772,445	\$ 4,955,559	\$ 5,377,755
Property tax revenue (Note 15)	252,779	274,517	255,190
Grant income	831,909	435,883	1,669,086
Contributions	-0-	767	-0-
Other operating revenue	<u>100,957</u>	<u>69,409</u>	<u>71,402</u>
Total revenues	<u>6,958,090</u>	<u>5,736,135</u>	<u>7,373,433</u>
Expenses:			
Salaries and benefits	3,403,227	3,353,605	3,216,200
Medical supplies and drugs	358,364	334,158	356,892
Professional fees	1,313,424	1,261,476	1,274,152
Other expenses	1,551,074	1,597,053	1,327,381
Insurance	108,441	119,862	112,530
Depreciation and amortization	<u>214,121</u>	<u>221,353</u>	<u>237,090</u>
Total expenses	<u>6,948,651</u>	<u>6,887,507</u>	<u>6,524,245</u>
Operating income (loss)	9,439	(1,151,372)	849,188
Nonoperating revenues (expenses)			
Interest income	10,937	21,272	24,304
Interest expense	(58,539)	(29,093)	(22,759)
Gain (loss) on disposal of assets	<u>(2,325)</u>	<u>-0-</u>	<u>-0-</u>
Nonoperating income (loss), net	(49,927)	(7,821)	1,545
Changes in net position before capital grants	(40,488)	(1,159,193)	850,733
Capital grants (Note 18)	<u>20,240</u>	<u>68,873</u>	<u>65,567</u>
Changes in net position before other comprehensive income	(20,248)	(1,090,320)	916,300
Other comprehensive income			
Change in unrealized gain (loss) on securities	<u>(5,251)</u>	<u>30,035</u>	<u>12,784</u>
Changes in net position	<u>(25,499)</u>	<u>(1,060,285)</u>	<u>929,084</u>
Beginning net position	<u>3,076,213</u>	<u>4,136,498</u>	<u>3,207,414</u>
Ending net position	\$ <u>3,050,714</u>	\$ <u>3,076,213</u>	\$ <u>4,136,498</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Cash Flows  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 5,933,418	\$ 5,621,940	\$ 4,768,002
Other receipts from operations	1,117,199	487,994	2,000,965
Cash payments to employees and for employee-related cost	(3,500,111)	(3,363,844)	(3,479,356)
Cash payments for other operating expenses	<u>(3,263,137)</u>	<u>(3,328,364)</u>	<u>(2,994,042)</u>
Net cash provided (used) by operating activities	<u>287,369</u>	<u>(582,274)</u>	<u>295,569</u>
Cash flows from investing activities:			
Investments	129,924	150,000	(300,000)
Interest income	<u>10,937</u>	<u>21,272</u>	<u>24,304</u>
Net cash provided (used) by investing activities	<u>140,861</u>	<u>171,272</u>	<u>(275,696)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(822,887)	(302,735)	(356,965)
Proceeds from sale of assets	(2,325)	-0-	-0-
Proceeds from capital grants	20,240	68,873	65,567
Bond issue costs	-0-	6,318	385
Cash invested in assets limited as to use	649,603	(1,509,970)	(5,976)
Proceeds from long-term debt	-0-	2,016,232	47,097
Payments on long-term debt	(101,275)	(506,791)	(27,771)
Interest expense on long-term debt	<u>(58,539)</u>	<u>(29,093)</u>	<u>(22,759)</u>
Net cash provided (used) by capital and related financing activities	<u>(315,183)</u>	<u>(257,166)</u>	<u>(300,422)</u>
Net increase (decrease) in cash and cash equivalents	113,047	(668,168)	(280,549)
Beginning cash and cash equivalents	<u>326,752</u>	<u>994,920</u>	<u>1,275,469</u>
Ending cash and cash equivalents	\$ <u>439,799</u>	\$ <u>326,752</u>	\$ <u>994,920</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Cash Flows (Continued)  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 9,439	\$ (1,151,372)	\$ 849,188
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	214,121	221,353	236,705
Changes in:			
Accounts receivable, net	103,918	289,856	(609,753)
Estimated third-party payor settlements	57,055	376,525	(127,990)
Other receivables	(68,446)	(292,582)	133,277
Inventory	5,659	(57)	17,809
Prepaid expenses	1,607	13,564	(26,021)
Accounts payable	60,900	(64,802)	85,510
Accrued expenses and withholdings payable	(96,884)	25,241	36,860
Deferred revenue	<u>-0-</u>	<u>-0-</u>	<u>(300,016)</u>
Net cash provided (used) by operating activities	\$ <u>287,369</u>	\$ <u>(582,274)</u>	\$ <u>295,569</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>58,539</u>	\$ <u>29,093</u>	\$ <u>22,759</u>
Unrealized gain (loss) recorded to investments and net position	\$ <u>(5,251)</u>	\$ <u>30,035</u>	\$ <u>12,784</u>

See accompanying notes to financial statements.



Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2014, 2013, and 2012

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana (referred to as the "District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and beginning September 2010 is referred to as Reeves Memorial Medical Center.

The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Union Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Union Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, rural health clinic, acute inpatient, and skilled nursing (through "swing beds") services. The District converted to a Medicare critical care hospital (CAH) on December 30, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2014, 2013, and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposits with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to Union Parish residents and grants credit to patients, substantially all of whom are local residents.

The District's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient account receivables are written off as bad debt expense when deemed uncollectible. Recoveries of

Ward 3, 4 and 10 Hospital Service District  
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Notes to Financial Statements  
Years Ended December 31, 2014, 2013, and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventory

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used:

Buildings	15 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are currently credited or charged to nonoperating revenue.

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Ward 3, 4 and 10 Hospital Service District  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The District's Statements of Changes in Revenues, Expenses, and Net Position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Operating revenue also includes property taxes passed to provide the District with revenue to operate and maintain the District. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the District receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose(s) are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of Recently Issued Accounting Principles

In March 2012, The Governmental Accounting Standards Board (GASB) issued Statement 65, Items Previously Reported as Assets and Liabilities. The objective of GASB 65 is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets or liabilities as outflows of resources (expenses or expenditures) or inflows of resources. The provisions of the statement are effective for periods beginning after December 15, 2012. During 2013, the District adopted the statement and applied the provisions to bond issuance costs that were incurred in fiscal year 2013. Due to the adoption of GASB 65, ending net position was decreased by \$82,177 of bond issue costs associated with the issuance of 2013 revenue bonds R-1 and R-2. Prior year's amortization of bond issue costs were immaterial (\$385) and no restatement of prior year net position is required.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit, and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose "cash in banks" is comprised of the account balances according to the bank's records.

Account balances according to bank's records at December 31, 2014, for the District are as follows:

	Community Trust Bank Cash	Community Trust Bank Certificates of Deposits
Cash in banks	\$ <u>1,653,361</u>	\$ <u>183,149</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>1,403,361</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the

Ward 3, 4 and 10 Hospital Service District  
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at December 31, 2014, 2013, and 2012.

Concentration of Credit Risks – The District has 100% of its cash and cash equivalents at Community Trust Bank in checking and certificates of deposit.

Interest Rate Risks – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amount of deposits and investments are included in the District's balance sheets as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Carrying amount			
Deposits	\$ 439,799	\$ 326,752	\$ 994,920
Investments	222,883	352,807	502,807
Donated stocks	<u>176,788</u>	<u>182,039</u>	<u>152,004</u>
	\$ <u>839,470</u>	\$ <u>861,598</u>	\$ <u>1,649,731</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 439,799	\$ 326,752	\$ 994,920
Investments	<u>399,671</u>	<u>534,846</u>	<u>654,811</u>
	\$ <u>839,470</u>	\$ <u>861,598</u>	\$ <u>1,649,731</u>

Investment in LHA Trust consists of allocations of equity from the Louisiana Hospital Association Malpractice and Worker's Compensation Trust Funds. Allocations consist of Capital Reserve funds set aside for the District.

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Years Ended December 31, 2014, 2013, and 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments in marketable equity securities consist of stocks donated to the District in 1988. An analysis at December 31 is as follows:

		----- Fair Value -----		
	<u>Shares</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Exxon Corporation	800	\$ 73,960	\$ 80,960	\$ 69,240
Pfizer	3300	<u>102,828</u>	<u>101,079</u>	<u>82,764</u>
Total market value		176,788	182,039	152,004
Less cost basis		<u>(14,456)</u>	<u>(14,456)</u>	<u>(14,456)</u>
Unrealized gain (loss)		\$ <u>162,332</u>	\$ <u>167,583</u>	\$ <u>137,548</u>

The District records these registered securities under the provision of the FASB Statement No. 115. These securities are classified as available for sale and are therefore recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices as of the fiscal year end.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Patient accounts receivable	\$ 1,586,693	\$ 1,858,858	\$ 2,095,098
Other accounts receivable	<u>3,633</u>	<u>3,633</u>	<u>3,633</u>
	1,590,326	1,862,491	2,098,731
Estimated uncollectibles	<u>(850,274)</u>	<u>(1,018,521)</u>	<u>(964,905)</u>
Net patient accounts receivable	\$ <u>740,052</u>	\$ <u>843,970</u>	\$ <u>1,133,826</u>

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NOTE 4 - ACCOUNTS RECEIVABLE (Continued)

The following is a summary of the mix of gross receivables from patients and third-party payors at December 31:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	31%	26%	28%
Medicaid	10%	15%	19%
Commercial and other third-party payors	11%	21%	14%
Patients	<u>48%</u>	<u>38%</u>	<u>39%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation:

	December 31, <u>2013</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2014</u>
Land	\$ 30,614	\$ -0-	\$ -0-	\$ 30,614
Land improvements	32,060	-0-	-0-	32,060
Leasehold improvements	8,060	9,023	-0-	17,083
Buildings	1,565,044	25,627	45,789	1,544,882
Fixed equipment	420,289	9,207	42,462	387,034
Major moveable equipment	2,429,880	251,353	112,905	2,568,328
Transportation equipment	58,201	-0-	-0-	58,201
Minor equipment	1,477	-0-	1,177	300
Construction in progress	<u>266</u>	<u>644,244</u>	<u>113,065</u>	<u>531,445</u>
Total	4,545,891	939,454	315,398	5,169,947
Accumulated depreciation	<u>3,116,701</u>	<u>214,122</u>	<u>198,832</u>	<u>3,131,991</u>
Net capital assets	\$ <u>1,429,190</u>	\$ <u>725,332</u>	\$ <u>116,566</u>	\$ <u>2,037,956</u>



Ward 3, 4 and 10 Hospital Service District  
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Notes to Financial Statements  
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**NOTE 5 - CAPITAL ASSETS (Continued)**

The following is a summary of capital assets and related accumulated depreciation:

	December 31, <u>2012</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2013</u>
Land	\$ 30,614	\$ -0-	\$ -0-	\$ 30,614
Land improvements	32,060	-0-	-0-	32,060
Leasehold improvements	8,060	-0-	-0-	8,060
Buildings	1,542,673	22,371	-0-	1,565,044
Fixed equipment	271,289	149,000	-0-	420,289
Major moveable equipment	2,324,965	118,362	13,447	2,429,880
Transportation equipment	45,205	12,996	-0-	58,201
Minor equipment	1,477	-0-	-0-	1,477
Construction in progress	<u>260</u>	<u>187,132</u>	<u>187,126</u>	<u>266</u>
Total	4,256,603	489,861	200,573	4,545,891
Accumulated depreciation	<u>2,908,795</u>	<u>221,353</u>	<u>13,447</u>	<u>3,116,701</u>
Net capital assets	\$ <u>1,347,808</u>	\$ <u>268,508</u>	\$ <u>187,126</u>	\$ <u>1,429,190</u>

	December 31, <u>2011</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2012</u>
Land	\$ 30,614	\$ -0-	\$ -0-	\$ 30,614
Land improvements	32,060	-0-	-0-	32,060
Leasehold improvements	8,060	-0-	-0-	8,060
Buildings	1,321,290	221,383	-0-	1,542,673
Fixed equipment	271,289	-0-	-0-	271,289
Major moveable equipment	2,203,104	162,255	40,394	2,324,965
Transportation equipment	45,205	-0-	-0-	45,205
Minor equipment	1,477	-0-	-0-	1,477
Construction in progress	<u>26,933</u>	<u>216,641</u>	<u>243,314</u>	<u>260</u>
Total	3,940,032	600,279	283,708	4,256,603
Accumulated depreciation	<u>2,712,484</u>	<u>236,705</u>	<u>40,394</u>	<u>2,908,795</u>
Net capital assets	\$ <u>1,227,548</u>	\$ <u>363,574</u>	\$ <u>243,314</u>	\$ <u>1,347,808</u>

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NOTE 6 - ASSETS WHOSE USE IS LIMITED

The following assets are restricted as to use as designated below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Restricted by third-parties</u>			
Bond construction fund	\$ 864,914	\$ 1,467,340	\$ -0-
Bond paying agent fund	12,746	60,072	-0-
Bond reserve fund	-0-	-0-	25,221
Bond contingency fund	<u>33,149</u>	<u>33,000</u>	<u>25,221</u>
 Total assets limited as to use	 \$ <u>910,809</u>	 \$ <u>1,560,412</u>	 \$ <u>50,442</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Meter deposits	\$ 1,814	\$ 1,814	\$ 1,814
Unamortized bond issue costs	<u>-0-</u>	<u>-0-</u>	<u>6,318</u>
 Total	 \$ <u>1,814</u>	 \$ <u>1,814</u>	 \$ <u>8,132</u>

NOTE 8 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt at December 31, 2014, 2013, and 2012:

	December 31, <u>2013</u>	<u>Additions</u>	<u>Payments</u>	December 31, <u>2014</u>	Due Within <u>One Year</u>
Lease payable	\$ 27,430	\$ -0-	\$ 15,995	\$ 11,435	\$ 11,435
Series 2013 Hospital Revenue Bonds - R-1	1,545,227	-0-	58,184	1,487,043	59,894
Series 2013 Hospital Revenue Bonds - R-2	447,777	-0-	27,096	420,681	27,893
Series 2002 Hospital Revenue Bonds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total	 \$ <u>2,020,434</u>	 \$ <u>-0-</u>	 \$ <u>101,275</u>	 \$ <u>1,919,159</u>	 \$ <u>99,222</u>

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Notes to Financial Statements  
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NOTE 8 - LONG-TERM DEBT (Continued)

	December 31, 2012	Additions	Payments	December 31, 2013	Due Within One Year
Lease payable	\$ 42,050	\$ 16,232	\$ 30,852	\$ 27,430	\$ 14,065
Series 2013 Hospital Revenue Bonds - R-1	-0-	1,550,000	4,773	1,545,227	58,184
Series 2013 Hospital Revenue Bonds - R-2	-0-	450,000	2,223	447,777	27,096
Series 2002 Hospital Revenue Bonds	<u>468,943</u>	<u>-0-</u>	<u>468,943</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>510,993</u>	\$ <u>2,016,232</u>	\$ <u>506,791</u>	\$ <u>2,020,434</u>	\$ <u>99,345</u>

	December 31, 2011	Additions	Payments	December 31, 2012	Due Within One Year
Lease payable	\$ -0-	\$ 47,097	\$ 5,047	\$ 42,050	\$ 11,753
Series 2002 Hospital Revenue Bonds	<u>491,667</u>	<u>-0-</u>	<u>22,724</u>	<u>468,943</u>	<u>23,765</u>
Total	\$ <u>491,667</u>	\$ <u>47,097</u>	\$ <u>27,771</u>	\$ <u>510,993</u>	\$ <u>35,518</u>

The following is a summary of the term and due dates of the Hospital's long-term debt at December 31:

- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-1, were issued in the principal amount of \$1,550,000, at 2.9%, rate subject to change in 2018, 2023, and 2028, due in 2033, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage of all properties owned by the District. They will mature 20 years from the date of delivery.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-2, were issued in the principal amount of \$450,000, at 2.9%, rate subject to change in 2018 and 2023, due in 2026, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage. They will mature on their monthly anniversary date in August 2027.
- On August 20, 2002, Series 2002 Hospital Service Bonds were issued at 4.5%, due in 2027, collateralized by a pledge and dedication of District revenue. These bonds were paid off in 2013 using the Series 2013 Hospital Service Bonds, known as R-2.
- Lease payable at 6.2% for radiology equipment, due in 36 monthly installments of \$1,501 each.

The District has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the District.

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NOTE 8 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt are as follows:

<u>Year ending December 31,</u>	<u>Long-term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 87,787	\$ 54,163	\$ 11,435	\$ 476
2016	90,367	51,583	-0-	-0-
2017	93,022	48,927	-0-	-0-
2018	95,757	46,194	-0-	-0-
2019	98,571	43,380	-0-	-0-
2020-2024	538,048	171,705	-0-	-0-
2025-2029	526,118	90,944	-0-	-0-
2030-2033	<u>378,054</u>	<u>22,334</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>1,907,724</u>	\$ <u>529,230</u>	\$ <u>11,435</u>	\$ <u>476</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$6,728 is included in depreciation expense. Net book value of capital leases is \$31,959, \$38,687, and \$45,415, in 2014, 2013, and 2012, respectively.

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31 consist of the following:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Accrued interest	\$ 2,707	\$ 2,952	\$ 636
Accrued payroll taxes	6,597	14,336	15,002
State and federal income taxes payable	6,252	3,391	3,259
State unemployment tax payable	5,068	8,068	11,818
Accrued expenses	(446)	2,623	1,749
Accrued vacation	174,797	156,693	124,530
Accrued payroll	<u>19,780</u>	<u>123,576</u>	<u>129,404</u>
Total	\$ <u>214,755</u>	\$ <u>311,639</u>	\$ <u>286,398</u>

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**NOTE 10 - COMPENSATED ABSENCES**

Employees of the District are entitled to paid time off and extended illness benefit days depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of accrued compensation for future extended illness benefit days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested paid time off has been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

**NOTE 11 - RETIREMENT PLAN**

On June 30, 2007, the District began the Reeves Memorial Medical Center 403(b) Plan, which is a tax sheltered annuity (TSA) plan for employees of certain tax-exempt organizations. The plan was established in accordance with Section 403(b) of the *Internal Revenue Code of 1986*, as amended. Security Benefits was the Plan's third party administrator. On January 1, 2012, the District terminated the 403(b) Plan and instituted the Reeves Memorial Medical Center 457 Plan, which is a tax sheltered annuity. Security Benefits is the Plan's third party administrator. At December 31, 2014 there were 50 plan members. Employees are eligible to participate in the plan beginning on the date of hire, with a maximum contribution of up to 100% of compensation. The 2014 contribution limit for those under age 50 is \$17,500 and for those 50 or older the limit is \$23,000. The District has elected to match 100% of the first 2% of the participating employees' compensation deferred to the plan. The District may choose to make annual discretionary non-elective contributions based on the employees' compensation during the plan year. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions. The District has a five-year vesting schedule that applies to the employer matching and non-elective contributions. The District's contributions were \$38,997, \$30,974, and \$30,206, compared to employee contributions of \$96,146, \$73,992, and \$72,396 for the years ended December 31, 2014, 2013, and 2012.

**NOTE 12 - NET PATIENT SERVICE REVENUE**

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - The District became a Medicare "Critical Access Hospital" (CAH) effective December 30, 2005. This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date, including Swing Bed and rural health clinic services.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District.

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid on a prospectively determined fee schedule. Rural health clinic services were paid based on a prospectively determined rate per visit until June 30, 2008, when it changed to a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The following is a summary of the Hospital's net patient service revenues for the years ended December 31:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Gross patient service revenues	\$ 7,470,099	\$ 6,339,621	\$ 6,483,339
Medicare and Medicaid contractual adjustments	(400,844)	52,430	(113,880)
Provision for bad debt	(720,465)	(823,174)	(764,295)
Administrative and other adjustments	(536,168)	(528,089)	(464,788)
Charity care	(40,177)	(85,229)	(62,637)
Uncompensated care reimbursement	<u>-0-</u>	<u>-0-</u>	<u>300,016</u>
Net patient service revenues	\$ <u>5,772,445</u>	\$ <u>4,955,559</u>	\$ <u>5,377,755</u>

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The District receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid charges for the years ended December 31:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare and Medicaid charges	\$ 5,038,435	\$ 4,641,358	\$ 4,380,628
Contractual adjustments	<u>(400,844)</u>	<u>52,430</u>	<u>(113,880)</u>
Program patient service revenue	\$ <u>4,637,591</u>	\$ <u>4,693,788</u>	\$ <u>4,266,748</u>
Percent of total gross patient charges	<u>67%</u>	<u>73%</u>	<u>68%</u>
Percent of total net patient revenues	<u>80%</u>	<u>95%</u>	<u>79%</u>

Patient service revenues increased (decreased) to reflect immaterial adjustments to prior year third-party receivables or payor estimates.

The District received interim amounts of \$-0-, \$-0-, and \$300,016 for Medicaid and self-pay uncompensated care services (UCC) for the years ended December 31, 2014, 2013, and 2012, respectively, which represents 0%, 0%, and 6% of net patient revenues. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Current regulations do not provide for settlement of underpayments by Medicaid. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. Future UCC payments are dependent upon State appropriations, which require annual approval by the state legislature. Should the State not fund or substantially change this program, it would have a significant impact on the Hospital's revenue. In 2012, the District began participation in a grant program with other hospitals (Note 18) which supplements payments previously paid under UCC.

NOTE 13 - PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA)

The PPACA was passed into law in 2010. This federal legislation is extremely complex and will substantially change the landscape of the healthcare industry. The PPACA has the potential to affect both payment rates and coverage issues for all healthcare payors. While the overall impact of the PPACA cannot currently be estimated, it could have a negative impact on the District's revenues.

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NOTE 14 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal poverty guidelines based on a 200% scale. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$44,925, \$108,697, and \$82,248, in 2014, 2013, and 2012, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$817,267, \$414,883, and \$985,505, in 2014, 2013, and 2012.

NOTE 15 - PROPERTY TAX REVENUE

The District levies property taxes for the maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The lien date is January 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills tax, which expired December 31, 2005, was renewed for the period 2006 through 2015. The 5.34 mills tax, which expired in 2011, was renewed for the period 2012 through 2021.

NOTE 16 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.



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NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 16) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk - The District carries worker's compensation insurance through the Louisiana Hospital Association Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Litigation and other matters in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determination in the case where liability can be measured.

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NOTE 18 - GRANT REVENUE

In 2014, the District received grants totaling \$852,149. Medicaid paid the District approximately \$-0- during the year ended December 31, 2014 as an incentive for implementing electronic health records. Payments can be retained and additional payments can be earned if the District meets certain criteria in future implementation, subject to audit. The District received grants totaling \$817,267 to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with the other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. Various other grants were received during the year for other purposes.

In 2013, the District received grants totaling \$504,756. Medicaid paid the District approximately \$55,573 during the year ended December 31, 2013 as an incentive for implementing electronic health records. Payments can be retained and additional payments can be earned if the District meets certain criteria in future implementation, subject to audit. The District received grants totaling \$414,883 to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with the other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. Various other grants were received during the year for other purposes.

In 2012, the District received grants totaling \$1,734,653. Medicaid paid the District approximately \$166,284 and \$507,353 was received from Medicare during the year ended December 31, 2012 as an incentive for implementing electronic health records. Payments can be retained and additional payments can be earned if the District meets certain criteria in future implementation, subject to audit. The District received grants totaling \$985,505 to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with the other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. Various other grants were received during the year for other purposes.

The District recognized operating grant income in the years 2013 and 2012 of \$55,573 and \$673,637, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR Incentive payments is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District met Stage 1 criteria during fiscal year 2011, which included electronically capturing health information in a coded format and using certified EHR technology to meet certain required core objectives for a continuous ninety day period. The District attested to Stage 1 criteria during fiscal year 2014, 2013, and 2012 for year 3 and 2 grant receipts. The District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate

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NOTE 18 - GRANT REVENUE (Continued)

with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

NOTE 19 - COMMITMENTS

In 2014, 2013, and 2012, coverage of the Emergency Room was provided by various individual physicians under contract with the District. The Rural Health Clinic was covered under an agreement based on a productivity formula for rural health visits.

NOTE 20 - SUBSEQUENT EVENT

In January 2015 the District signed a lease purchase agreement with Government Capital Corporation in the amount of \$250,728 to purchase various pieces of equipment beginning May 2015. The District also entered into an agreement with Garcia Construction Company in the amount of \$699,000 to demolish "old" portion of the hospital building and to construct a new addition.

Events have been evaluated through June 19, 2015 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Net Patient Service Revenue  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Daily patient services:			
Room and board	\$ 448,975	\$ 409,664	\$ 515,112
Swing	<u>492,951</u>	<u>229,639</u>	<u>200,177</u>
Total daily patient services	<u>941,926</u>	<u>639,303</u>	<u>715,289</u>
Other professional services:			
Radiology			
Inpatient	85,900	59,924	51,463
Outpatient	<u>590,793</u>	<u>521,111</u>	<u>446,972</u>
Total radiology	<u>676,693</u>	<u>581,035</u>	<u>498,435</u>
Laboratory			
Inpatient	112,655	101,883	116,472
Outpatient	<u>1,030,428</u>	<u>1,026,798</u>	<u>999,709</u>
Total laboratory	<u>1,143,083</u>	<u>1,128,681</u>	<u>1,116,181</u>
Blood			
Inpatient	18,576	22,872	23,746
Outpatient	<u>22,249</u>	<u>22,042</u>	<u>22,597</u>
Total blood	<u>40,825</u>	<u>44,914</u>	<u>46,343</u>
Respiratory therapy			
Inpatient	262,195	186,249	232,120
Outpatient	<u>15,865</u>	<u>35,613</u>	<u>38,404</u>
Total respiratory therapy	<u>278,060</u>	<u>221,862</u>	<u>270,524</u>
Physical therapy			
Inpatient	60,205	36,282	20,597
Outpatient	<u>183,415</u>	<u>158,356</u>	<u>207,866</u>
Total physical therapy	\$ <u>243,620</u>	\$ <u>194,638</u>	\$ <u>228,463</u>

Ward 3, 4 and 10 Hospital Service District  
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Schedules of Net Patient Service Revenue (Continued)  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Occupational therapy			
Inpatient	\$ 52,237	\$ 41,006	\$ 22,608
Outpatient	<u>75,285</u>	<u>54,857</u>	<u>82,691</u>
Total occupational therapy	<u>127,522</u>	<u>95,863</u>	<u>105,299</u>
Speech therapy			
Inpatient	17,007	10,786	7,217
Outpatient	<u>-0-</u>	<u>662</u>	<u>-0-</u>
Total speech therapy	<u>17,007</u>	<u>11,448</u>	<u>7,217</u>
EKG			
Inpatient	5,944	3,775	3,300
Outpatient	<u>37,986</u>	<u>38,407</u>	<u>39,050</u>
Total EKG	<u>43,930</u>	<u>42,182</u>	<u>42,350</u>
Medical supply			
Inpatient	300,987	142,541	149,865
Outpatient	<u>52,832</u>	<u>60,629</u>	<u>89,447</u>
Total medical supply	<u>353,819</u>	<u>203,170</u>	<u>239,312</u>
Pharmacy			
Inpatient	627,414	364,371	397,439
Outpatient	<u>380,283</u>	<u>364,376</u>	<u>291,847</u>
Total pharmacy	<u>1,007,697</u>	<u>728,747</u>	<u>689,286</u>
Ophthalmology			
Outpatient	<u>1,770</u>	<u>17,425</u>	<u>11,609</u>
Total ophthalmology	\$ <u>1,770</u>	\$ <u>17,425</u>	\$ <u>11,609</u>

Ward 3, 4 and 10 Hospital Service District  
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Schedules of Net Patient Service Revenue (Continued)  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Orthopedics			
Outpatient	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>6,327</u>
Total orthopedics	<u>-0-</u>	<u>-0-</u>	<u>6,327</u>
Rural health clinic			
Physician services	<u>1,247,721</u>	<u>1,195,548</u>	<u>1,119,125</u>
Total rural health clinic	<u>1,247,721</u>	<u>1,195,548</u>	<u>1,119,125</u>
Emergency room			
Inpatient	179,118	137,735	147,783
Outpatient	<u>1,130,333</u>	<u>1,068,327</u>	<u>1,220,305</u>
Total emergency room	<u>1,309,451</u>	<u>1,206,062</u>	<u>1,368,088</u>
Monitor			
Inpatient	32,512	21,307	15,019
Outpatient	<u>4,463</u>	<u>7,436</u>	<u>4,472</u>
Total monitor	<u>36,975</u>	<u>28,743</u>	<u>19,491</u>
Total other professional services	<u>6,528,173</u>	<u>5,700,318</u>	<u>5,768,050</u>
Gross patient service charges	<u>7,470,099</u>	<u>6,339,621</u>	<u>6,483,339</u>
Deductions from charges:			
Medicare and Medicaid contractual adjustments	400,844	(52,430)	113,880
Provision for bad debt	720,465	823,174	764,295
Administrative and other adjustments	536,168	528,089	464,788
Charity care	40,177	85,229	62,637
Uncompensated care reimbursement	<u>-0-</u>	<u>-0-</u>	<u>(300,016)</u>
Total deductions from charges	<u>1,697,654</u>	<u>1,384,062</u>	<u>1,105,584</u>
Net patient service revenue	\$ <u>5,772,445</u>	\$ <u>4,955,559</u>	\$ <u>5,377,755</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
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Schedules of Other Operating Revenue  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
HPSA incentive	\$ 17,278	\$ 20,983	\$ 17,604
Dietary revenue	21,695	23,752	22,742
Health information	3,796	2,817	1,895
Discounts taken	10,446	9,809	11,319
Pharmacy revenue	7,721	6,651	4,270
Grant administrative fee	18,750	-0-	-0-
Insurance recovery	14,451	-0-	-0-
Miscellaneous revenue	<u>6,820</u>	<u>5,397</u>	<u>13,572</u>
 Total other revenue	 \$ <u>100,957</u>	 \$ <u>69,409</u>	 \$ <u>71,402</u>



Ward 3, 4 and 10 Hospital Service District  
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Schedules of Expenses - Salaries and Benefits  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Administration	\$ 567,207	\$ 502,517	\$ 437,424
Plant maintenance	106,010	99,666	86,236
Housekeeping	45,901	43,742	49,159
Dietary	85,030	77,432	69,820
Social services	29,436	27,373	28,585
Nursing administration	86,503	77,906	258,587
Health information	78,035	118,448	91,411
Nursing services	659,819	711,720	580,346
Radiology	114,894	119,706	114,986
Laboratory	232,965	221,148	235,789
Respiratory therapy	36,342	23,066	31,029
EKG and EEG	5,154	5,013	4,636
Central supply	27,491	25,912	26,920
Pharmacy	141,109	124,748	121,397
Rural health clinic	364,806	395,503	383,582
Emergency room	<u>313,750</u>	<u>312,230</u>	<u>277,307</u>
 Total salaries	 <u>2,894,452</u>	 <u>2,886,130</u>	 <u>2,797,214</u>
 FICA/LUC	 216,307	 210,247	 207,141
Health/life insurance	207,407	160,739	142,514
457/403(b) matching contribution	32,078	31,934	30,206
Worker's compensation	<u>52,983</u>	<u>64,555</u>	<u>39,125</u>
 Total benefits	 <u>508,775</u>	 <u>467,475</u>	 <u>418,986</u>
 Total salaries and benefits	 \$ <u>3,403,227</u>	 \$ <u>3,353,605</u>	 \$ <u>3,216,200</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Expenses - Medical Supplies and Drugs  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Nursing services	\$ 9,844	\$ 7,685	\$ 9,786
Radiology	942	2,358	1,790
Laboratory	92,035	97,862	110,789
Blood	21,786	25,750	28,491
Respiratory therapy	8,656	10,906	16,348
Physical and occupational therapy	404	337	418
Pharmacy	181,951	153,291	145,807
Rural health clinic	37,117	31,880	34,798
Emergency room	5,629	4,089	8,627
Specialty clinic	<u>-0-</u>	<u>-0-</u>	<u>38</u>
 Total medical supplies and drugs	 \$ <u>358,364</u>	 \$ <u>334,158</u>	 \$ <u>356,892</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Expenses - Professional Fees  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Health information	\$ 4,525	\$ 4,907	\$ 4,926
Nursing	31,018	33,348	35,253
Radiology	12,209	11,129	11,452
Laboratory	104,086	92,933	83,720
Physical therapy	121,482	102,977	91,088
Occupational therapy	67,368	53,694	59,941
Speech therapy	9,244	5,266	3,406
Ophthalmology	893	8,203	10,540
Rural health clinic	249,073	246,355	263,726
Emergency room	713,526	702,664	704,085
Specialty clinic	<u>-0-</u>	<u>-0-</u>	<u>6,015</u>
 Total professional fees	 \$ <u>1,313,424</u>	 \$ <u>1,261,476</u>	 \$ <u>1,274,152</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Expenses - Other Expenses  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Purchased services	\$ 578,429	\$ 512,836	\$ 393,539
Accounting and legal	78,970	99,347	69,438
Non medical supplies	217,764	224,099	239,031
Repairs and maintenance	167,022	182,841	189,155
Utilities	91,291	98,505	89,125
Telephone	95,229	99,031	61,507
Travel	29,642	14,629	19,846
Rentals	183,136	165,367	142,577
Training	29,819	17,927	9,203
Promotion and advertising	4,500	5,273	6,848
Licensing and publications	40,045	21,902	34,745
Bond issue costs	-0-	88,497	-0-
Miscellaneous	26,636	43,097	50,610
Tax assessor fees	<u>8,591</u>	<u>23,702</u>	<u>21,757</u>
 Total other expenses	 \$ <u>1,551,074</u>	 \$ <u>1,597,053</u>	 \$ <u>1,327,381</u>

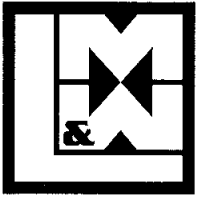
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Per Diem and Other Compensation Paid to Board Members  
Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Board members:			
Isaac Payne	\$ -0-	\$ 320	\$ 360
Jim Mabry	80	400	360
Penya Fields	440	360	280
Mike Holley	360	280	-0-
Jennifer Lenard	480	200	-0-
Edwin Whatley	400	-0-	-0-
Bobby Couch	-0-	-0-	40
Timothy Clement	<u>-0-</u>	<u>40</u>	<u>280</u>
Total	\$ <u>1,760</u>	\$ <u>1,600</u>	\$ <u>1,320</u>

Ward 3, 4 and 10 Hospital Service District  
 Of the Parish of Union, State of Louisiana  
 Reeves Memorial Medical Center  
 Schedule of Compensation, Benefits, and Other Payments  
 to Chief Executive Officer  
 Year Ended December 31, 2014

Agency Head Name:	David Caston
Position:	CEO
Time Period:	January 1, 2014 to December 31, 2014

<u>Purpose</u>	<u>Amount</u>
Salary	148,200
Health insurance	-0-
Retirement	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	6,500
Registration fees	590
Conference travel	4,380
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



# **LESTER, MILLER & WELLS**

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Bernice, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2014, 2013, and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 19, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and that we consider to be significant deficiencies: 2014-1 and 2014-2.

Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and no other matter that is required to be reported under Government Auditing Standards.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Lester, Miller, & Wall*

Certified Public Accountants  
Alexandria, Louisiana

June 19, 2015





**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Current Year Findings and Responses  
Year Ended December 31, 2014**

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified – No
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

*Federal Awards* – Not applicable

**Section II. Financial Statement Findings**

**FINDING 2014-1 - Financial Statements**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

**Recommendation:** Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

**Response:** Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

**FINDING 2014-2 - Segregation of Duties**

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Current Year Findings and Responses  
Year Ended December 31, 2014**

**Section II. Financial Statement Findings (Continued)**

**FINDING 2014-2 - Segregation of Duties (Continued)**

**Response:** Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

**Section III. Federal Award Findings**

Not applicable

**Section IV. Management Letter**

Not applicable

**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Prior Year Findings and Responses  
Year Ended December 31, 2014**

**Section I. Financial Statement Findings**

**FINDING 2013-2 - Financial Statements**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

**Recommendation:** Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

**Response:** Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control

**Current Status:** This matter has not been resolved - see finding 2014-1

**FINDING 2013-3 - Segregation of Duties**

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Current Status:** This matter has not been resolved - see finding 2014-2

**Section II. Federal Award Findings**

Not applicable

**Section III. Management Letter**

Not applicable